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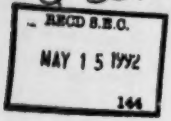

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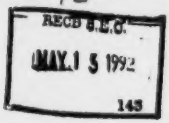

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1992

Commission file number 0-16090

ACOI, INC.
(Exact name of registrant as specified in its charter)

Nevada	87-0447375
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
14651 Dallas Parkway, Suite 900 Dallas, Texas	75240
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (214) 404-1637

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. - Common Stock, par value $.03 per share - 10,307,277 shares outstanding as of May 12, 1992.

Number of pages in this report - 13
No Exhibit Index is filed with this report.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

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Consolidated statements of cash flows (unaudited) for the periods ended March 31, 1992 and March 31, 1991	5
Notes to consolidated financial statements	6

A C O I, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 1992	December 31 1991
	(Unaudited)	
ASSETS		
Investments:		
Bonds, at amortized cost, at market	$ 984,334	$ 985,919
Nonredeemable preferred stock, at market	50,050	50,050
Short-term investments, at cost	890,067	1,296,401
Total investments	1,924,451	2,332,370
Cash	1,536,873	1,616,691
Premium and agents' balances receivable	8,668,092	8,904,253
Reinsurance recoverable	181,529	400,297
Deferred policy acquisition costs	1,199,936	1,252,269
Excess of cost over net assets acquired	6,361,762	6,437,239
Other assets	872,722	860,245
Total assets	$ 20,745,365	$ 21,803,344
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Notes payable	$ 1,071,756	$ 1,217,193
Notes payable to related party	750,000	800,000
Unpaid losses and loss adjustment expense	3,303,588	3,352,810
Unearned premiums	4,624,343	4,601,656
Reinsurance balances payable	355,167	1,312,771
Drafts outstanding	398,139	523,411
Accounts payable and other accrued expense	730,923	768,528
Accrued interest and franchise taxes payable	73,332	179,476
Est liabilities in excess of discontinued oper	47,829	51,496
	11,355,077	12,807,342
Stockholders' Equity		
Common stock, $.03 par value; 100,000,000 shares authorized; 10,307,277 outstanding	318,218	318,218
Capital in excess of par value	10,195,315	10,195,315
Treasury Stock	(600,000)	(600,000)
Accumulated deficit	(523,244)	(917,530)
Total Stockholders' Equity	9,390,288	8,996,002
Total Liabilities & Stockholders' Eqty	$ 20,745,365	$ 21,803,344

The accompanying notes are an integral part of these consolidated financial statements

A C O I, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended 03/31 1992	03/31 1991
REVENUES:		
Premiums earned	$ 2,153,098	$ 1,803,884
Investment income-net	63,713	101,323
Finance serv charges	526,436	167,148
Other income	63,298	35,075
Total Revenues	2,806,545	2,107,430
COSTS AND EXPENSES:		
Losses and loss adjustment expense	1,462,073	838,698
Policy acquisition, underwriting and other operating expense	657,355	917,878
Deferred policy acquisition cost	153,842	68,423
Interest expense	34,150	72,720
Amortization expense	95,839	39,564
Total Costs and Expenses	2,403,259	1,937,283
INCOME FROM CONTINUING OPER BEFORE INCOME TAXES	403,286	170,147
Provision for federal income taxes	168,977	
INCOME FROM CONTINUING OPERATIONS	234,309	170,147
Extraordinary tax benefit loss carry forward	159,977	
INCOME (LOSS) FROM CONTINUING OPERATIONS	$394,286	$170,147
INCOME PER SHARE OF COMMON STOCK	$ 0.04	$ 0.02
Average number of shares of common stock outstanding	10,607,277	10,597,277

The accompanying notes are an integral part of these consolidated financial statements

CONTINUED ON PAGE 4A

A C O I, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 394,286	$ 170,147
Adjustments to reconcile net income to cash used by operating activities:		
Depreciation and amortization	75,476	39,564
Change in premium notes receivables		740,744
Change in premiums and agents' balances	236,161	(1,858,499)
Change in deferred policy acquisition costs	52,313	(156,673)
Change in reinsurance recoverable	218,768	
Change in unpaid losses and loss adjustment expenses	(49,222)	(38,972)
Change in unearned premiums	22,687	838,120
Change in reinsurance funds held-other	(957,604)	35,885
Change in accounts payable and other accrued expenses	(37,605)	(479,249)
Changes in other assets and liabilities,net	(235,252)	202,984
Net cash provided (used) by operating activities	(279,992)	(505,949)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(12,308)	(33,937)
Sale of short-term investments	406,334	2,000,764
Purchase of short-term investments		(667,990)
Change in restricted cash		2,000,000
Change in bond investment	1,585	
Net cash provided (used) by investing activities	395,611	3,298,837
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds (repayments) of short-term borrowing	(145,437)	(2,523,225)
Payment of note payable to related party	(50,000)	(50,000)
Net cash provided (used) by financing activities	(195,437)	(2,573,225)
NET INCREASE (DECREASE) IN CASH	(79,818)	219,663
CASH AT BEGINNING OF PERIOD	1,616,691	474,654
CASH AT END OF PERIOD	$ 1,536,873	$ 694,317

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - CONSOLIDATED FINANCIAL STATEMENTS - BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared by the Company without audit. In the opinion of management, all necessary adjustments (which include only normal recurring adjustments) have been made to present fairly the financial position, results of operations and changes in financial position at March 31, 1992, and for all periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the notes to financial statements which are included in the Company's annual report on Form 10-K for the year ended December 31, 1991. The results of operations for the period ended March 31, 1992, are not necessarily indicative of the operating results to be expected for the full year.

NOTE 2 - INVESTMENTS

At March 31, 1992, investments of the Company consisted of certificates of deposit, short term United States Agency Securities and preferred stock. No securities were purchased or sold during the reporting period, therefore, no gains or losses were realized.

NOTE 3 - INCOME TAXES

The provision for federal income taxes for the first quarter ended March 31, 1992, consists of the following:

Current	$ 9,000
Deferred	159,977
Total	$168,977

The deferred tax provision for the current quarter ended March 31, 1992, results primarily from timing differences related to deferred acquisition costs.

At December 31, 1991, the Company had net operating loss (NOL) carry forwards of approximately $985,000 for financial reporting purposes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction. The Company engages in the sale of consumer products and services on credit terms, primarily to lower and middle income customers. Its target market is the estimated 30% of Americans who are typically denied credit from banks, credit card companies and other conventional channels, or who have never established a bank account or credit history.

The Company's business currently involves premium financing, marketing and underwriting of non-standard automobile insurance. The Company conducts these activities through an integrated Insurance Group, the dominant members of which are American Hallmark Insurance Company of Texas ("Hallmark") and Brokers General, Inc. ("BGI"). Hallmark underwrites non-standard automobile liability and physical damage coverage and provides premium financing to its policy holders on a direct billing basis. BGI manages the marketing of Hallmark's policies through a network of retail insurance agencies which operate under the *American Hallmark Insurance Agencies of Texas* name. The Insurance Group operates exclusively in Texas.

Liquidity and Capital Resources. During the fourth quarter of 1991, Hallmark ceded an additional 10% of its insurance portfolio to Liberty National Fire Insurance Company ("Liberty"), retroactive to January 1, 1991. At December 31, 1991, the Company recorded Hallmark's obligation to pay Liberty 10% of net premiums written since January 1, 1991 (net of ceding commissions) as reinsurance balances payable.

During the first quarter of 1992, Hallmark paid Liberty approximately $1,180,450 to satisfy the obligation accrued at December 31, 1991. Internal cash flow provided funds for approximately $694,450 of the payment; the Company liquidated certificates of deposit of approximately $486,000 to fund the balance. As a result, the Company's cash and short-term investments decreased by approximately $486,000 between December 31, 1991 and March 31, 1992. Reinsurance balances payable decreased by approximately $957,600 during the period.

The Company increased the amount of insurance Hallmark cedes to reinsurers from 50% to 60% in part to strengthen Hallmark's premium-to-surplus ratio. This step, coupled with a $1,075,000 cash contribution to Hallmark's surplus the Company made in the first quarter of 1991, improved Hallmark's premium-to-surplus ratio from 4.4 to 1 at December 31, 1990 to 2.64 to 1 at December 31, 1991. Hallmark achieved this improvement even though its net premiums written grew from approximately $12,600,000 in 1990 to approximately $21,800,000 in 1991, a 73% increase. At March 31, 1992, the ratio was 2.35 to 1 on an annualized basis. The revenue and earnings implications of the improvements in Hallmark's premium-to-surplus ratio are discussed in ***Results of Operations***.

At March 31, 1992, Hallmark reported capital and surplus of $3,514,284 on a statutory accounting basis, compared to $3,244,550 at December 31, 1991. In management's opinion, Hallmark enjoys a sound capital and surplus position and, absent extraordinarily adverse claims experience, should not require additional capital infusions during the foreseeable future.

At March 31, 1992, the Company had approximately $90,000 in unrestricted working capital, with no working capital commitments. Management believes that this working capital reserve, coupled with unrestricted cash generated by the Insurance Group's operations and from investments, will be adequate to support projected internal growth of the Company's current business activities.

The Company's use of Hallmark's capital and surplus is restricted by law. Hallmark may not pay dividends or make loans to the Company without approval from the Texas Department of Insurance. The Company does not expect to receive any dividends or loans from Hallmark during 1992.

The Company will require additional capital as it expands into other lines of business, either through acquisitions or by internally developing new business concepts. The Company recently applied for a license to operate a personal finance (small loan) company in Texas and anticipates that the license will be issued during the second quarter of 1992. Management has not decided on the character or scope of the finance company's operations or on the time its operations will be launched. These decisions will dictate whether, and how much, additional capital the Company will need to fund the finance company's operations. As of the date of this Report, the Company has no commercial credit facilities in place and has not engaged an underwriter to explore the feasibility of additional debt or equity financing.

The Company will also require additional capital to finance possible acquisitions of other companies. It currently plans to finance acquisitions of other businesses primarily by issuing Common Stock and obtaining seller debt financing. In March 1992, the Company filed a registration statement with the Securities and Exchange Commission to register 1,025,000 shares of Common Stock for issuance from time to time in connection with asset acquisitions the Company may pursue. The registration does not apply to Common Stock the Company may issue in exchange for the capital stock and other securities of acquired companies; any exchange offers involving Common Stock will probably be structured as private placements. As of the date of this Report, management has not identified any particular acquisition candidate.

Results of Operations. 1992 increases in premiums earned and finance service charges are attributable to higher volumes of insurance written by Hallmark. Increase in losses and LAE expense is partially attributable to increased volumes. In addition, refinements in Hallmark's case-basis method of estimating loss reserves and increased claims on policies Hallmark wrote in 1990 and 1991 resulted in a significant increase in the reserves after the end of the 1991 first quarter.

Investment income declined substantially between the 1991 and 1992 periods for two reasons. Interest rates on certificates of deposit, money market funds and other short-term, interest-bearing securities continued to decline after March 31, 1991. Also, the Company liquidated substantially all its short-term investments to generate cash used during 1991 to increase Hallmark's surplus, to repay bank debt associated with the 1990 acquisition of the business and assets of Acadine Capital Corporation ("ACC"), and to acquire the Alltex insurance agency.

Other income for the 1992 first quarter was substantially higher than in the 1991 period because 1992 results include service fees Citizens Adjustment and Reporting Service ("CARS") received from an unaffiliated insurance company. CARS is a claims adjustment and subrogation recovery company which BGI acquired effective January 1, 1991. Its operations were not included in the Company's operating results until the acquisition was formally consummated later in the year.

Policy acquisition, underwriting and other operating expenses are presented net of ceding commissions earned by BGI. Also, the sales commissions BGI pays its retail agents are netted against BGI's ceding commissions. Effective January 1, 1992, BGI reduced the rate of commissions payable to its retail agents, but also assumed certain administrative burdens and costs the agents formerly bore. This change significantly increased BGI's net commission income and accounts for most of the reduction in other policy acquisition, underwriting and other operating expenses between the first quarters of 1991 and 1992. Also, during the first quarter of 1992, BGI discontinued the appointments of two independent agencies which marketed Hallmark policies. This step also reduced BGI's commission expense for the first quarter of 1992.

Interest expense was significantly lower during the 1992 first quarter because the principal amount of notes payable decreased during 1991, primarily as a result of the Company's paying off bank debt associated with the ACC acquisition.

Amortization expense was higher in the 1992 first quarter as a result of reclassifications of certain items related primarily to the Hallmark and ACC acquisitions. These reclassification are reflected in the Company's year-end financial statements for 1991, but quarterly statements for periods prior to the time a decision to reclassify the items was made have not been adjusted.

The Texas legislature amended the Texas Insurance Code in September 1991 to replace existing premium rate-setting procedures with a new flexible rating plan. The new legislation directed the Department of Insurance to set benchmark rates for various categories of automobile insurance coverage and to establish a flexibility band for each rating category. The legislation provides that the bands may not deviate above or below the benchmark rates by more than 30%. It also provides that an insurer's rates must fall within the flexibility bands, unless it applies for and receives authorization from the Department of Insurance to charge non-conforming rates.

The Department of Insurance held hearings on the benchmark rates and flexibility bands in December 1991. In January 1992, the Department adopted existing standard rates as the benchmark rates. It also adopted flexibility bands of 30% below and 25% above the benchmark rates. The Department gave insurers until March 1, 1992 to file and begin using conforming rate schedules.

Hallmark's rates historically exceeded standard rates by substantially more than 25%, and the Department's action effectively foreclosed the possibility of Hallmark's continuing to write insurance profitably on a consent-to-rate basis. However, the new rate-setting procedures do not apply retroactively and do not affect the validity of policies Hallmark wrote prior to March 1, 1992 on a consent-to-rate basis.

Management anticipated the Department's action and, in the fall of 1991, began exploring the possibility of acquiring or affiliating Hallmark with a county mutual insurance company. (A county mutual insurance company is a type of Texas casualty insurance carrier whose operations are governed by special statutory standards. Among other things, a county mutual company's premium rates are not subject to the new flexible rating plan.)

Effective March 1, 1992, Hallmark and BGI entered into an affiliation arrangement with State and County Mutual Fire Insurance Company, a county mutual insurance company ("State and County"). This arrangement involves two principal aspects.

First, State and County appointed BGI as a managing general agent, authorizing BGI to issue State and County policies in accordance with underwriting guidelines and rate schedules proposed from time to time by Hallmark. Hallmark may adjust its rate schedules at any time. The adjusted rates become effective when State and County files them with the Department of Insurance; Department review or approval of the adjusted rates is not required.

Second, State and County contracted with Hallmark and Liberty to reinsure 100% of the risk under the State and County policies BGI issues. Hallmark accepted 40% of the reinsured risk and Liberty accepted 60%. Liberty, which is rated A+ by the A.M. Best Insurance Guide, unconditionally guaranteed Hallmark's obligations to State and County.

State and County receives commissions on the State and County policies BGI issues, equal to a percentage of net premiums written. The commission rate decreases as the annual volume of net premiums written exceeds specified levels. County mutual insurance companies are allowed to charge policy origination fees in addition to premiums, and BGI charges origination fees for the State and County policies it issues. Management anticipates that State and County's commissions will be fully funded from BGI's policy origination fees.

As compensation for acting as managing general agent, BGI receives ceding commissions equal to a percentage of net premiums written in excess of State and County's commission. This portion of BGI's commission is fixed and is not subject to reduction under the separate risk-sharing agreement between Hallmark and Liberty. In addition, BGI is entitled to a profit commission equal to the amount by which earned premiums exceed (i) losses and LAE incurred by Hallmark and Liberty on the ceded risk, (ii) State and County's commission, (iii) and an expense factor payable to Liberty, which includes compensation for its guaranty.

Under a separate agreement between Hallmark and Liberty, the two reinsurers share risk on a 40-60 basis up to the point the actual loss ratio on State and County policies reaches 64.2%. If the actual loss ratio is less than 64.2%, Hallmark receives the entire underwriting profit. Between a loss ratio of 64.2% and 100%, Hallmark bears the entire risk. Between a loss ratio of 100% and 106%, the parties again share the risk on a 40-60 basis. This agreement replaces the reinsurance contracts Hallmark had in place during 1991 and, in the opinion of management, potentially positions the insurance group to realize revenues substantially in excess of those available under the reinsurance contracts in place during 1990 and 1991.

The affiliation arrangement with State and County may temporarily affect the Insurance Group's revenues and expenses. As of the date of this Report, the arrangement had not been in effect long enough for identifiable trends to develop, although Hallmark's share of net premiums written during March 1992 were consistent with its net premiums written during March of the prior year. Also, management's continuing efforts to improve the Insurance Group's operating and marketing efficiencies and its ability to adjust Hallmark's premium rate schedules within a matter of days are expected to offset any temporarily adverse effects.

As indicated above, the new risk-sharing agreement with Liberty perpetuates Hallmark's policy of reinsuring 60% of its risk. Although the 1991 increase from 50% to 60% in the amount of insurance Hallmark cedes to reinsurers requires that Hallmark give up an additional 10% of premium revenues, the step has improved the Insurance Group's overall revenue and earnings potential in several ways.

As noted in ***Liquidity and Capital Resources***, the increase in reinsurance ceded contributed to a substantial strengthening of Hallmark's premium-to-surplus ratio, which determines the amount of insurance Hallmark may write consistent with Department of Insurance guidelines. During the first quarter of 1992, Hallmark achieved $5,085,655 in net premiums written (compared to $5,276,984 during the 1991 first quarter), while maintaining an annualized premium-to-surplus ratio of 2.35 to 1. Although Hallmark's share of premiums earned on this business is 10% less than in years prior to 1991, BGI is not obligated to share its ceding commissions with Liberty. BGI's commission income therefore increases as total net premiums written increase.

Also, the amount of premiums with respect to which Hallmark can offer premium financing, and the resulting finance service charge revenue, increases as Hallmark's net premiums written increase. Hallmark does not share any of its finance service charge revenues with Liberty. In addition, the policy of reinsuring 60% of the claims risk reduces Hallmark's exposure to adverse claims trends.

In addition to implementing the flexible rating plan, the Department of Insurance amended the regulations governing premium finance plans effective March 1, 1992. The new regulations severely restrict the service charges an insurer may impose under a direct billing program. Hallmark is currently complying with the new regulations and is making its premium finance program available to all insureds. The new regulations do not apply retroactively and do not affect Hallmark's ability to collect finance charges for which it contracted prior to March 1, 1992. The new regulations therefore will not immediately create an adverse impact on Hallmark's finance service charge revenues, but may in the future unless the Department of Insurance adjusts the rates permitted under the new regulations or Hallmark adopts an alternative to its direct billing program. Under any circumstances, management believes that the new premium finance

regulations will not have a materially adverse affect on the Insurance Group's overall revenues and earnings for 1992.

On April 28, 1992, certain areas of north and central Texas experienced a severe hail storm which damaged many automobiles. As of the date of this Report, approximately 200 property damage claims have been filed under Hallmark policies for damages totaling approximately $290,000. Hallmark's 40% share of this risk equals approximately $116,000. The total number of claims which may be submitted and the total damages claimed has yet to be determined. This extraordinary occurrence may adversely affect Hallmark's loss ratio for 1992.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

No material legal proceedings involving the Company or any of its subsidiaries were initiated or terminated during the quarter ended March 31, 1992. There were no material developments during the quarter ended March 31, 1992 in any litigation previously reported by the Company.

Item 2. Changes in Securities

None

Item 3. Defaults upon Security Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

Item 13 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 describes an agreement under which C. Brent Haggard, the individual who owns Acadine Capital Corporation, agreed to return 300,000 shares of the Company's Common Stock he received in connection with the Company's acquisition of ACC's business and assets. The certificate for the 300,000 shares was being held in safekeeping by the transfer agent for the Common Stock, pending verification that certain conditions to the certificate's delivery to the Company had been satisfied. On May 14, 1992, Mr. Haggard furnished the Company a letter addressed to the transfer agent, directing the transfer agent to deliver the certificate for the 300,000 shares to the Company.

Item 6. Exhibits and Reports on Form 8-K

(a) No exhibits are filed with this report.

(b) The Company did not file a Current Report on Form 8-K to report any events which occurred during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN CREDIT OPTICAL, INC.
(Registrant)

Date: May 14, 1992

Ramon D. Phillips, President (chief executive officer)

Date: May 14, 1992

Johnny J. DePuma, Chief Financial Officer